

## SUMMARY OF PUBLIC COMMENTS FROM THE MAY 2008 GRAZING SUBCOMMITTEE REQUEST

Summary of Recommendations	Response or How recommendation will be addressed
<b>Value of Grazing Lands</b>	
<p><b>The real value of grazing land is open space, recreation, access to public lands, long-term stewardship and improvement/maintenance of the land.</b></p>	<p><b>Addressed in Asset Management Plan</b>  The United States granted certain lands to the state at statehood in trust for specific beneficiaries. These lands are not public lands but rather must be managed for the maximum long-term return to the endowment beneficiaries. The Land Board, as trustees of Idaho's endowment trusts, has a duty to invest and manage the land trusts "as a prudent investor would," Idaho Code § 68-502(1). Thus, while the Land Board agrees that grazing land provides benefits to the public beyond grazing, the Land Board's decisions must be made based upon consideration of whether grazing of a particular parcel is consistent with the prudent investor rule.</p>
<p><b>Grazing is the highest and best use (best return) for these lands.</b></p>	<p>While some of State endowment grazing lands are providing an appropriate rate of return, as a whole the grazing land portfolio is an underperforming asset. This underperformance is attributable to a number of factors, including but not limited to, scattered ownership, grazing lease procedures, departmental costs of administration and grazing fees. The Land Board asset management plan contemplates that some of the marginal grazing lands should be exchanged sold or leased for other uses. The plan also recognizes, however, that grazing will continue to be a significant component of the endowment holdings and contemplates development of a business plan to ensure these grazing lands are performing at or above our peer target rate of return. The Grazing Subcommittee is a first step in this process. The Subcommittee seeks to find a way to improve the current leasing process to provide more transparency and thereby enhancing competitive bidding on grazing leases.</p>
<p>Grazing is a historic use but can never provide the requisite return on capital value required for fiduciary management of these land assets.</p>	<p>As noted above, state endowment grazing lands vary throughout the state. Some of the grazing lands are situated such that they will not achieve the Board's target rate of return. Other lands, however, have and will continue to provide an appropriate rate of return. The Land Board, as trustees of Idaho's endowment trusts, has a duty to invest and manage the land trusts "as a prudent investor would," Idaho Code § 68-502(1). As set forth in the Land Board's asset management plan, the Board consistent with its fiduciary duty is undertaking a process to review the performance of this asset type and to take appropriate action to ensure this asset type is achieving an appropriate rate of return.</p>

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The Department and the Land Board should acknowledge the Constitutional direction to “carefully preserve” the lands and to gain “the greatest long-term financial return” in carrying out their fiduciary responsibility.	The Land Board, as trustees of Idaho’s endowment trusts, has a duty to invest and manage the land trusts “as a prudent investor would,” Idaho Code § 68-502(1). The Land Board’s asset management plan is built around the constitutional mandate to “carefully preserve” the lands and to gain “the greatest long-term financial return” to the endowment beneficiaries.
<b>Rental Rate</b>	
<b>Do not increase the lease rates across the board. Raising fees alone is not the answer.</b>	<p><b>Addressed in Asset Management Plan</b></p> <p>The Land Board adopted the Asset Management Plan with the specific objective of developing and managing long term grazing lands to achieve a rate of return consistent with relevant peers. The Land Board recognizes that raising fees alone is not the answer. Achieving an appropriate performance requires examination of all factors that influence the rate of return including management costs, land pattern characteristics and land board leasing processes. Each of these factors is being reviewed by the Land Board.</p>
Maximize AUMs rather than raising the grazing fee.	The Board seeks to ensure that the grazing management program optimizes the number of AUMs consistent with achieving the maximum long-term return to the endowment beneficiaries.
Maintain current rate formula.	<p><b>Addressed in Asset Management Plan</b></p> <p>The Land Board adopted the Asset Management Plan with the specific objective of developing and managing ensuring that the grazing portfolio achieving a rate of return consistent with relevant peers. IDL will be developing a Business Plan that will examine the grazing rate formula as well as all other factors relevant to the performance of this asset to identify opportunities to improve asset performance.</p>
Increase the lease rate.	<p><b>Addressed in Asset Management Plan</b></p> <p>See comment above..</p>
Tie lease rates to the prevailing livestock market values.	<p><b>Addressed in Asset Management Plan</b></p> <p>The Land Board adopted the Asset Management Plan with the specific objective of developing and managing long term grazing management strategy that will achieve a rate of return consistent with relevant peers. While livestock market value is a factor that should be considered, the prudent investor rule requires that the Board consider all relevant business factors.</p>

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Grazing rates should be consistent with BLM rates.	<b>Addressed in Asset Management Plan</b> Endowment lands are not the same as the public lands administered by the BLM. Under the Idaho Constitution, endowment lands must be managed for the maximum long-term return to the endowment beneficiaries; whereas, under federal law, BLM lands are managed for broader public benefits and are not required to achieve a market rate of return.
The grazing lease fee formula should be replaced with a market rate.	<b>Addressed in Asset Management Plan</b> The Land Board adopted the Asset Management Plan with the specific objective of developing and achieving a market rate of return consistent with relevant peers. IDL is developing a Business Plan that will identify opportunities to improve asset performance.
<b>Lease Provisions</b>	
Provide more stability to lessee with lease provisions.	<b>Addressed in Asset Management Plan</b> The Land Board recognizes that lease stability is an important element of enhancing the long-term rate of return of the grazing portfolio. Thus, as part of the review process the Board will consider ways to increase lease stability.
Increase length of lease terms beyond the current 10 years, especially for good managers.	<b>Requires Constitution/Statute/Rule change</b> While the Board recognizes that an increased lease term could enhance asset performance, Idaho Code 58-307(1) states that no lease of state public school endowment lands, other than those valuable for stone, coal, oil, gas or other minerals, shall be for a longer term than ten (10) years. A code change would be required to allow leases longer than 10 years.
Eliminate lease term related to 30 day cancellation.	<b>Addressed in Asset Management Plan</b> As a prudent fiduciary, the Land Board must maintain flexibility to terminate leases to address business opportunities or other relevant business factors. Nonetheless, the Board recognizes the need for lease stability and, therefore, exercises constraint in the use of the cancellation provision.
If grazing rates increase, provide more stability through lease provisions and provide incentives for improvements.	<b>Addressed in Asset Management Plan</b> The Land Board recognizes the need for lease stability and the influence this factor has on the lease rate. The Board also recognizes the importance of providing incentives for lease improvements. These factors will be considered as part of the development of the grazing business plan.

## SUMMARY OF PUBLIC COMMENTS FROM THE MAY 2008 GRAZING SUBCOMMITTEE REQUEST

<b>Improvements</b>	
Provide incentives to lessees for improvements and to maximize AUMs.	<b>Addressed in Asset Management Plan</b> The Land Board adopted the Asset Management Plan with the specific objective of ensuring market conditions that will enhance the rate of return from the grazing asset portfolio. IDL is developing a Business Plan that will examine lease improvements and means for ensuring optimum carrying capacity consistent with the long-term return to the endowment along with opportunities to improve asset performance.
The previous lessee should receive premium for his/her improvements from the new lessee.	<b>Addressed in Asset Management Plan</b> Under the prudent investor rule, the Land Board is required to manage the endowment lands to ensure the maximum long-term return to the endowment beneficiaries. Under state law, the Board does not have the authority to grant a premium to current lessees..
Reimburse current lessees for improvements.	<b>Addressed in Asset Management Plan</b> Current grazing lease rules provide the means for reimbursing current lessees for improvements. IDL will review the reimbursement policy as part of the development of a business plan for this asset type.
Use a portion of bid money for improvements on the lease.	<b>Addressed in Asset Management Plan</b> Improvements to endowment lands require an examination by the Board and IDL as to whether such improvements will enhance the long-term rate of return from that asset.
Maintain current improvement crediting.	<b>Addressed in Asset Management Plan</b> The Land Board adopted the Asset Management Plan with the specific objective of developing and implementing a grazing management strategy that will achieve over time a market rate of return consistent with our peers. The improvement credit policy will be reviewed along with other relevant factors as part of the development of the grazing business plan.
<b>Lease Conflicts</b>	
Develop criteria to determine best-qualified bidder for leases. (Examples: management of adjoining lands, intermingled ownership, access, livestock control and monitoring.)	<b>Addressed in Proposed Expiring Grazing Lease</b> The Board has identified the need for improving the current conflict auction process to provide more transparency and predictability for all market participants. Attached hereto, is a proposal to modify the current process to address concerns regarding management of grazing lands.
Give preference to current lessee in lease renewal process.	<b>Requires Constitution/Statute/Rule change</b> The Idaho Constitution and Idaho Code requires that conflicted leases go through an auction process.

## SUMMARY OF PUBLIC COMMENTS FROM THE MAY 2008 GRAZING SUBCOMMITTEE REQUEST

Offer grazing leases only to qualified, responsible livestock owners.	<b>Addressed in Proposed Expiring Grazing Lease</b> Under the prudent investor rule, the Board must consider all proposed uses of endowment lands to determine what use will result in the maximum long-term return to the endowment beneficiary. The attached proposal proposes that alternative uses be evaluated prior to a determination of whether to lease a parcel of land for grazing. If offered for grazing, the IDL would establish grazing performance standards for the parcel.
Eliminate conflict applications on leases where lessee is doing a good job.	<b>Requires Constitution/Statute/Rule change</b> The Idaho Constitution and Idaho Code requires that conflicted leases go through an auction process.
Eliminate conflict bids on lands that do not meet independent management criteria (issues related to co-management with adjoining ownership, water, access, and control), or eliminate conflict bids all together.	<b>Addressed in Proposed Expiring Grazing Lease</b> Performance measures will be established under this proposal that will establish lessee's management practices.
Litigators should pay for some court fees. Reduce opportunity for litigation.	<b>This issue is governed by the Idaho Rules of Civil Procedure.</b>
Provide current lessees the opportunity to match sealed, written bids.	<b>Requires Constitution/Statute/Rule change</b> The Idaho Constitution and Idaho Code require that conflicted leases go through an auction process.
Conduct competitive bidding only when financially beneficial.	<b>Requires Constitution/Statute/Rule change</b> The Idaho Constitution and Idaho Code require that conflicted leases go through an auction process. A code change would be required to adopt this concept.
Modify grazing rules to encourage unprejudiced competition.	The attached proposal seeks to make the current leasing proposal more transparent and reassure market participants of an open and competitive market driven process.
Encourage open competition from conservation groups or individuals for grazing leases.	<b>See comment above.</b>
<b>Streamlining/Administrative</b>	
Decrease administrative time and costs to renew leases (inherent in competitive bidding process).	<b>Addressed in Proposed Expiring Grazing Lease Process</b> The proposed process reduces the amount of staff time required to process renewing leases.
Decrease overall administrative/management and staff costs.	<b>Addressed in Proposed Expiring Grazing Lease Process</b> The proposed process reduces the amount of staff time required to process renewing leases.

## SUMMARY OF PUBLIC COMMENTS FROM THE MAY 2008 GRAZING SUBCOMMITTEE REQUEST

Sell small, isolated parcels to reduce administrative costs.	<b>Addressed in Proposed Expiring Grazing Lease Process</b> The first step of the proposed expiring grazing lease process includes an evaluation of the ongoing land use. The evaluation criteria will be based on the objectives stated in the Asset Management Plan, which was adopted by the Land Board.
Consider out-sourcing management of outlying, isolated tracts.	<b>Addressed in Asset Management Plan</b> The Land Board adopted the Asset Management Plan with the specific objective of developing and managing long term grazing leases that achieve a rate of return consistent with relevant peers. IDL will be developing a Business which will examine staffing and contracting needs.
<b>Management of Grazing Leases</b>	
Hire a qualified range manager in northern Idaho.	<b>Addressed in Asset Management Plan</b> The objective of the Asset Management Plan is to ensure a market rate of return from the grazing asset portfolio. As part of the implement of the plan, the Board will review the need for additional management assistance in its area offices.
Increase state participation in management commensurate with fee increases.	<b>Addressed in Proposed Expiring Grazing Lease</b> Performance measures will be established under this proposal that will establish lessee's management practices. The proposal also seeks to tailor management to address specific resource needs.
Grazing management should remain the responsibility of the lessee.	<b>Addressed in Proposed Expiring Grazing Lease</b> Performance measures will be established under this proposal that will establish lessee's management practices. Lessees will be responsible for complying with the performance standards.
Maintain current grazing leasing program.	<b>Addressed in Proposed Expiring Grazing Lease Process</b> The Land Board appointed the Grazing Subcommittee to evaluate the current grazing program. While grazing will continue to be a significant part of the overall asset portfolio, the Board will make changes to the program as needed to meet its fiduciary duty.
Implement a recreation management plan and engage county officials to ensure resource protection.	<b>Addressed in Asset Management Plan</b> Under the prudent investor rule, the Board has a duty to manage state endowment lands to ensure the maximum long-term return to the endowment beneficiaries. The Board has accommodated recreation on endowment lands so long as such use does not interfere with its fiduciary duty.



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More stringent monitoring of ongoing livestock grazing is needed with specific consequences and accountability for failure to meet terms and conditions of grazing leases.	<b>Addressed in Proposed Expiring Grazing Lease</b> Performance measures will be established under this proposal that will establish lessee's management practices. Management will be tailored to the need for preservation of the grazing asset.
<b>Additional Revenue Streams</b>	
Charge for all other uses of grazing lands. Look at opportunities for other uses.	<b>Addressed in Proposed Expiring Grazing Lease Process</b> The first step of the proposed expiring grazing lease process includes an evaluation of the ongoing land use.
Consider asking Fish & Game to contribute payments for specific wildlife habitat.	This issue will be addressed as part of the development of a business plan for the grazing asset.
Evaluate areas that timber could be sold (for example: some leases in Owyhee County).	The first step of the proposed expiring grazing lease process includes an evaluation of the ongoing land use.
Market sequestered carbon or carbon credits of lands.	This issue will be considered as part of the development of a business plan for the grazing asset.
<b>Land Disposition</b>	
Sell appropriate grazing land, especially isolated parcels.	<b>Addressed in Asset Management Plan</b> Under the prudent investor rule, the Board must consider in the exercise of its fiduciary duty whether retention of particular parcels of land is in the interest of the endowment beneficiary. The Board seeks opportunities to sale or exchange isolated parcels where it will result in enhancing the long-term return to the endowment beneficiaries.
Limit state ownership to tracts over 3,000 acres.	<b>Addressed in Asset Management Plan</b> Under the prudent investor rule, size of ownership is one of many factors that must be considered in determining whether to retain a parcel as part of the asset portfolio.
If lands are sold, give the current lessee, or adjacent land owners, the right of first refusal.	<b>Requires Constitution/Statute/Rule change</b> The Idaho Constitution and Idaho Constitution require that the sale of land go through an auction process.
Consolidate lands to improve management.	<b>Addressed in Asset Management Plan</b> Consolidation of trust lands is one of the tools identified in the asset management plan for enhancing the long-term return to the endowment beneficiaries.
Do not sell or trade grazing land.	<b>Addressed in Asset Management Plan</b> The Board is required to consider as part of its fiduciary duty under the Idaho Constitution whether particular land assets should be sold or traded in order to achieve the maximum long-term return to the endowment beneficiaries.

## SUMMARY OF PUBLIC COMMENTS FROM THE MAY 2008 GRAZING SUBCOMMITTEE REQUEST

Consider alternative uses for some grazing lands (ex: recreation, commercial, agriculture, timber, oil and gas, other minerals, and development).	<p><b>Addressed in Asset Management Plan</b> The Asset Management Plan provides for consideration of alternative uses for endowment lands.</p> <p><b>Addressed in Proposed Expiring Grazing Lease Process</b> The first step of the proposed expiring grazing lease process includes an evaluation of the ongoing land use.</p>
Donate appropriate lands to a local land trust.	<p><b>Requires Constitution/Statute/Rule change</b> The Constitution precludes donation of endowment lands.</p>
Consider auctioning off state land to existing lease holders with state sponsored financing.	<p><b>Requires Constitution/Statute/Rule change</b> The Board is required to dispose of state endowment lands at public auction.</p>
Exchange out of all but blocked up lands to acquire commercial property with higher annual income yields.	<p><b>Addressed in Asset Management Plan</b> The Asset Management Plan has established a framework for blocking up state endowment lands. Actual exchanges of endowment lands must be made on a transaction by transaction bases and where it can be shown that such disposal is consistent with the maximum long-term return to the endowment.</p>
The leasing of endowment lands for conservation purposes should be respected and encouraged especially when more income results.	<p><b>Addressed in Asset Management Plan</b> The Asset Management Plan states that the Land Board will consider the disposal, acquisition, or development of real property provided transactions enhance value and improve revenue streams to the beneficiaries.</p>
Expiring grazing leases on productive timber land in north Idaho should not be renewed to eliminate unnecessary costs and interference with timber production and management.	<p><b>Addressed in Asset Management Plan</b> Consistent with the principles set forth in the Asset Management Plan, secondary grazing will be evaluated to determine whether it provides an enhanced rate of return for the endowment.</p>
<b>Miscellaneous</b>	
Pursue lieu lands not yet received from the federal government.	Outside of the scope of this review process
Get the federal government to give Idaho two more sections per township like other states.	Outside of the scope of this review process
Engage legislatures and congressional members to emphasize value of state grazing lands.	Outside of the scope of this review process